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ANNE MARIE LANGAN
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TO: Loren Monroe, Auditor General

FROM: Irvin Corley, Jr., Fiscal Analysis Director **ly.**

DATE: May 3, 2010

RE: 2010-2011 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, May 5, 2010 at 2:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Director
Terri Wilson, Budget Department
Norman White, Group Executive Finance
Kamau Marable, Mayor's Office

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Auditor General (50)

FY 2010-2011 Budget Analysis by the Fiscal Analysis Division

Summary

The Office of the Auditor General (OAG) is a Legislative General Fund Agency.

The recommended 2010-2011 budgeted appropriations total \$3,476,689 including \$1,370,250 (30%) for Auditing-CAFR, which is limited to the costs for the preparation of the 2010 KPMG single audit report, and the City's annual CAFR (Comprehensive Annual Financial Report). The agency's net tax cost is also \$3,476,689, which is \$158,478 (4.3%) less than the 2009-2010 FY.

The Mayor recommends the elimination of three positions. The reductions involve the elimination of 3 vacancies.

2009-2010 Surplus/(Deficit)

A surplus of \$232,246 is projected for the OAG for the current fiscal year ending June 30, 2010. The surplus is due to an appropriations surplus of \$227,869 due to vacancies and a small \$4,377 revenue surplus due primarily to DWSD's reimbursement to the General Fund for its share of CAFR costs.

Overtime

The Mayor's Proposed Budget has \$41,853 budgeted for overtime which is a \$14,812 (54.78%) increase from the 2009-2010 FY. The increase reflects a change to adjust to the OAG actual overtime expenditure history of \$41,853 in the 2008-09 FY.

Personnel and Turnover Savings

The Mayor anticipates no turnover savings for this agency.

Following is information by appropriation comparing budgeted FY 2009-10 positions, March 31, 2010 filled positions and FY 2010-2011 recommended positions.

| <u>Appropriation/Program</u> | <u>Redbook Positions FY 2009-10</u> | <u>Filled Positions 3/31/2010</u> | <u>Mayor's Budget Positions FY 2010-11</u> | <u>Over/(Under) Actual to 09/10 Budget</u> | <u>Mayor's Recommended Turnover</u> |
|--|---|---|--|--|---|
| Auditor General (50): | | | | | |
| 500010 Admin. & General Office | 3 | 3 | 3 | 0 | \$ - |
| 500020 Auditing-Operations | 15 | 12 | 12 | (3) | \$ - |
| 00261 Auditing Operations | 18 | 15 | 15 | (3) | \$ - |
| 11195 Risk Management Council | <u>2</u> | <u>2</u> | <u>2</u> | <u>0</u> | <u>\$ -</u> |
| TOTAL | <u>20</u> | <u>17</u> | <u>17</u> | <u>(3)</u> | <u>\$ -</u> |

Significant Changes in Funding by Appropriation

| <u>Appro.</u> | <u>Program</u> | |
|---------------|-------------------------|---|
| 0261 | Auditing Operations | The Mayor's Proposed Budget for this appropriation decreases by \$241,804. The decrease is due primarily to a \$293,561 reduction in org 50-0020 Auditing-Operations, consisting of the loss of three positions and their corresponding salary and wages decreases. The decrease offset by a \$51,757 increase in org 50-0010 Administration & General Office, due primarily to salary & benefit increases. |
| 11195 | Risk Management Council | This appropriation increases by \$60,356 due primarily to the restoration of \$50,000 in Auditing costs and benefit increases. |
| 12680 | Auditing - CAFR | This appropriation of \$1.37 million contains the costs for the preparation of the 2010 KPMG single audit report, and the City's annual CAFR (Comprehensive Annual Financial Report). |

Auditor General (50)

| Budgeted Professional and Contractual Services by Activity | FY 2009-10 <u>Budget</u> | FY 2010-11 <u>Recommended</u> | Increase (Decrease) |
|--|-----------------------------|----------------------------------|-------------------------|
| Auditing Operations | <u>\$ 1,347,280</u> | <u>\$ 1,420,250</u> | <u>\$ 72,970</u> |
| Total | <u>\$ 1,347,280</u> | <u>\$ 1,420,250</u> | <u>\$ 72,970</u> |

Professional contractual services increase slightly by \$72,970 in the 2010-11 FY.

Issues and Questions

The Mayor has recommended the elimination of three positions in the 2010-11 FY budget for the Office of the Auditor General (OAG). The reductions involve the elimination of 3 vacant positions.

- Given the fact that the OAG has a chartered mandated responsibility to audit each department in the City every two years, how will the recommended reductions impact OAG's ability to fulfill its chartered mandated responsibilities?
- Is the current level of staffing adequate for the OAG to meet its auditing goals?

Does the 2010-11 budget accurately reflect the costs for the KPMG single audit and the costs for the CAFR?

The OAG has been given the responsibility to monitor the City's Stimulus activities.

- Please describe the OAG's role in this activity and how will the recommended staffing reductions impact this endeavor?

(Pg. 50-3) Auditing Operations Measures and Targets

| Outputs: Units of activity directed towards Goals | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|--|----------------|----------------|------------------|----------------|
| | Actual | Actual | Projected | Target |
| Reports on Audits of Financial Transactions | 21 | 26 | 21 | 21 |

- Is the OAG currently performing in line with the 2009-10 projection?

| Outputs: Units of activity directed towards Goals | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|--|----------------|----------------|------------------|----------------|
| | Actual | Actual | Projected | Target |
| Claims hearings | 45 | 45 | 40 | 40 |

- The performance measures for claims hearings are projected to decrease to 40 in the current and the upcoming 2010-11 fiscal years from 45 the two previous years. Has the number of appeals of the Law Department declined?

Do you have any suggestions for the Charter Commission, which would improve the functions of the OAG?

IC:DH